



Patrick W. Henning, Director
August 12, 2008
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Arnold Schwarzenegger
Governor

Ms. Kathryn Flores, Director
County of San Benito
Community Services and Workforce Development
1111 San Felipe Road, Suite 206
Hollister, CA 95023

Dear Ms. Flores:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the County of San Benito Community Services and Workforce Development's (CSWD) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Carol Hammond from April 7, 2008 through April 11, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by CSWD with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of CSWD, a review of applicable policies and procedures, and a review of documentation retained by CSWD for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on July 3, 2008, and reviewed your comments and documentation before finalizing this report. Because your response

adequately addressed findings 1 and 2 cited in the draft report, no further action is required at this time. However, these issues will remain open until we verify the implementation of your stated corrective action plan (CAP) during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 80118 and 80119.

BACKGROUND

The CSWD was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, CSWD was allocated: \$234,538 to serve 13 adult participants; \$250,333 to serve 41 youth participants; and \$204,559 to serve 46 dislocated worker participants.

For the quarter ending December 31, 2007, CSWD reported the following expenditures and enrollments for its WIA programs: \$102,041 to serve 22 adult participants; \$89,556 to serve 44 youth participants; and \$56,382 to serve 44 dislocated worker participants.

FISCAL REVIEW RESULTS

While we conclude that, overall, CSWD is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of accruals. The finding that we identified in this area, our recommendation, and CSWD's proposed resolution of the finding is specified below.

FINDING 1

Requirement: 20 CFR Section 667.300(c)(3) states, in part, that reported expenditures must be on the accrual basis of accounting.

WIA Directive WIAD05-14 states, in part, that all WIA recipients are required to use the accrual system of accounting and submit a Summary of WIA Expenditures Report on a quarterly basis. Accrued expenditures are defined as the charges incurred and recorded, but not yet paid for, during a report period requiring the provision of funds by the grantee or subgrantee for (1) goods and other tangible property received, (2) services performed by employees, contractors, subgrantees, subcontractors, and other payees, and (3) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments.

Observation: The CSWD reports accruals for contract payments, individual training accounts, and vendor invoices quarterly, but does not report salary accruals in its quarterly expenditure report.

The CSWD states that salary accruals are too small to justify the time required to track and report them on a quarterly basis.

Recommendation: We recommended that CSWD provide the Compliance Review Division (CRD) with a CAP, including a timeline to report salary accruals on a quarterly basis.

CSWD Response: The CSWD stated that they concur with the salary accrual finding. Effective with the quarter ending June 30, 2008, any and all salary earning incurred during a report period, but not paid, will be accrued and reflected in the required quarterly expenditure reports. From our review of CSWD's June 30, 2008 expenditure report, we found that accruals are being reported for this reporting period.

State Conclusion: The CSWD stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future onsite visit, the CSWD's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80118.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, CSWD is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of contract provisions. The finding that we identified in this area, our recommendation, and CSWD's proposed resolution of the finding is specified below.

FINDING 2

Requirement: 29 CFR Section 97.36(i)(3) states, in part, that grantee and subgrantee contracts must contain the provision that it will be in compliance with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60).

Observation: We reviewed two PY 2007-08 contracts that did not contain a reference to the Executive Orders specified above. Specifically, one contract with Charles Doan to provide website maintenance and the other with Gavilan College to provide services to the Youth program. While the contracts contain an Equal

Employment Opportunity provision, it did not include the required references to Executive Orders 11246 or 11375.

Recommendation: We recommended that CSWD provide CRD with a CAP, including a timeline, to ensure its contract boilerplate is revised to include the above required references for all future subcontracts.

CSWD Response: The CSWD stated that it does not currently have any active subcontracts. All new contracts for the upcoming year will contain the required contract language stipulated above. These provisions will be incorporated into the contract and identified as attachments of the contract.

State Conclusion: The CSWD stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future onsite visit, CSWD's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80119.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is CSWD's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain CSWD's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Ms. Carol Hammond at (916) 653-6633.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Shelly Green, MIC 45
Jose Luis Marquez, MIC 50
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